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Will We Face a Tanker Crisis?

If the Suez Canal and the Syrian pipelines were blocked or sabotaged tomorrow, Europe would face economic disaster. This fact is the reason that American policy in the Middle East is weak, vacillating, and, at times, incomprehensible.

Europe still depends on the Suez Canal and the Syrian pipelines only because a sudden and acute demand for tankers would cause rates to rise 1000 to 2000 per cent. This increase in the delivered price of oil would mean economic ruin for Europe. It is the self-defeating tanker policies of the major international American oil companies, not a potential shortage of crude oil or of ships, that are the cause of Europe's peril.

There is no danger of Persian Gulf oil being denied the West for political reasons. On the long term, alternate sources of energy can replace the need for Middle East oil without a substantial rise in price, for the "cheapness" of Middle East oil has never been enjoyed by the consumer. On the short term, any one of the four major Persian Gulf producers—Kuwait, Saudi Arabia, Iran or Iraq—could alone, on presently developed fields, supply all the free world's requirements for Middle East oil for the next five years. The Middle East producer states not only know this but also know that their current revenues depend on the export of oil. This assures the free world, short of a hot war, of adequate Persian Gulf oil supplies, for it is inconceivable that all of the four major Persian Gulf producers would, all and at the same time, refuse to export oil to the West.

The present danger, and it is a real one, is that the pipelines and the Suez Canal, both of which are under the control of Nasser's U. A. R. (Egypt-Syria), will be blocked.

The American oil companies have registered or charter to the "Greek exiles" such as Aristotle Onassis a large part of the world tanker fleet under the so-called "flags of convenience."

Some 40 per cent of Europe's oil is carried in "flag of convenience tankers" of Liberia, Panama, and Honduras. Such vessels pay no taxes on their profits and escape all control over the wages and working conditions of their crews. They can, therefore, operate at rates that are ruinous for normal tax-paying operators.

What would be the measure of the problem to be faced if the Suez Canal and the Syrian pipelines were blocked? Boldly stated, the normal transportation routes for 80 per cent of Europe's oil requirements would disappear overnight: a loss of 2¾ million barrels a day or some 140 million tons a year.

This would mean an immediate demand for twice as many tankers because, over the same period of time, a tanker traveling to Europe via South Africa's Cape of Good Hope can carry only 60 per cent of the oil that it could by using the Suez Canal or 25 per cent of the oil it could carry from the Mediterranean terminals of the pipeline.

The Suez crisis of 1956-1957 was not economically disastrous to Europe only because 90 per cent of the tankers were under long-term charters and, therefore, were unable to raise their rates and profiteer. (Contrasted with a figure of less than 50 per cent today.)

Today, tanker rates are so low that tanker owners are accepting only single voyage or short term charters: the result is that a majority of the independent tanker fleet are tied up or under single voyage charters. In crisis, the result is that tanker rates will increase 1000 to 2000 per cent, for there is no way for the consumer countries of Europe or the U. S. to control profiteering by vessels flying the flags of convenience—these ships are under no nation's control.

A fundamental weakness of American posture in the Middle East would disappear overnight if the American oil companies were to use ships of "flags of responsibility" (those of consumer countries who are dependent on oil imports) rather than avoid taxes and regulation by using flags of convenient responsibility.

The first step to alleviate the problem has been made by the introduction in this Congress by Rep. A. Sydney Herlong Jr. of H.R. 6823 which would require that 50 per cent of American imports be carried in American flag tankers. In the opinion of the writer, the long term interests of the oil companies themselves would be served by this legislation. The Saudi Arabian Director of Mines, Abdullah Tariki, has told the writer that he can understand why consumer countries should want to transport oil under their own flags.

He has declared, however, that the Saudi Arabian government will insist on the use of Saudi Arabian flag tankers if the choice is to be between flags of convenience and flags of the producer country. This Saudi position, which is a logical one, raises very serious problems for consumer countries, including the United States.

What would be the cost to the U. S. consumer or the U. S. Government if American oil were imported in American vessels? The answer is that the consumer would have to pay no more than usual and that the Government would make money as both the crews and the operators would, unlike the Greek exiles and the oil companies, pay taxes.

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